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March 10, 2011

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Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

RE: Finance Docket 30186 (Sub No. 2), Tongue River
Railroad Co. -- Rail Construction and Operation --
Ashland to Decker, Montana

Dear Mr. Williams:

I am submitting, on behalf of the Tongue River Railroad Company, an original and ten copies of our four-month progress report for the latest four-month period, pursuant to the Surface Transportation Board's favorable decision served November 8, 1996 in FD 30186 (Sub-No. 2).

Please note that a copy of the four-month report has been served only on the Parties of Record identified in the Surface Transportation Board's complete service list served October 3, 2003 and amended in a notice served by the Surface Transportation Board on October 24, 2003. We will continue to serve the four-month report on these parties.

Sincerely,

Douglas A. Day
Representative for the
Tongue River Railroad Company

Enc.

cc: Parties of record

229030

TONGUE RIVER RAILROAD COMPANY, INC.**Four-Month Report
to the
Surface Transportation Board*****March 10, 2011***

The Surface Transportation Board ("Board") served its decision in STB Finance Docket No. 30186 (Sub-No. 3) on October 9, 2007 granting the application of Tongue River Railroad Company, Inc. ("TRRC") to construct and operate a 17.3-mile rail line known as the Western Alignment in Rosebud and Big Horn Counties, Montana. The decision became effective on November 8, 2007.

Certain parties sought judicial review of the Board's decision by filing petitions for review in the U.S. Court of Appeals for the Ninth Circuit. The Court established a briefing schedule and the final reply brief is due by March 25, 2011. Upon filing of the final reply brief, the petitions for review will ready for calendaring.

Subsequent to the Board decision in November 2007, the Northern Plains Resource Council and Mark Fix filed a Petition to Re-open with the Board on July 26, 2010. TRRC has opposed the petition and a decision is pending before the Board.

TRRC has continued to work with the staff and counsel of the Montana Department of Fish, Wildlife & Parks ("MFWP") to finalize an Easement Agreement allowing the TRRC line to cross a portion of the Miles City Fish Hatchery property. Following nearly two years of effort to achieve a mutually satisfactory easement agreement, an agreement has been prepared which is acceptable to the MFWP staff and legal counsel and TRRC. The MFWP Commission must approve the agreement before it is deemed final and can be signed by the Director of MFWP. The MFWP Commission is a five member body composed of appointees of the Governor. The Governor is in the process of appointing two new commissioners who are to be confirmed by the Montana Legislator.

TRRC continues to follow activities related to the leasing of the State of Montana's Otter Creek Tract coal resources. Litigation contesting the State's leasing of the Otter Creek Tract coal resources is pending in the Montana Sixteenth Judicial District Court, Powder River County, Montana.

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of March, 2011, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record:

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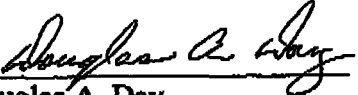
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